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EDITED TRANSCRIPT

GE - General Electric Co to sell most GE Capital Assets Conference Call

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This document includes certain forward-looking projected financial information that is based on current estimates and forecasts. Actual results could differ materially.
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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the GE Capital Investor meeting. At this time all participants are in a listen-only mode.

My name is Jeanette and I will be your conference coordinator today. (Operator Instructions). As a reminder this conference is being recorded.

I would now like to turn the program over to your host for today's conference, Matt Cribbins, Vice President of Investor Communications. Please proceed.

Matt Cribbins - ***General Electric Company - VP, Corporate Investor Communications***

Thank you. Good morning and welcome, everyone. We are pleased to host today's webcast on GE Capital. We issued the press release and presentation earlier this morning on our website at www.ge.com/investor.

As always, elements of this presentation are forward-looking and are based on our best view of the world and our businesses as we see them today. Those elements can change as the world changes. Please interpret them in that light.

For today's webcast, we have our Chairman and CEO, Jeff Immelt; Vice Chairman and CEO, GE Capital, Keith Sherin; CFO, Jeff Bornstein; General Counsel, Brackett Denniston; and Treasurer, Dan Janki.

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Now I would like to turn it over to our Chairman and CEO, Jeff Immelt.

Jeff Immelt *- General Electric Company - Chairman and CEO*

Thanks, Matt. Today we are announcing a definitive step in our evolution to create a focused infrastructure and technology company. We plan to sell most GE Capital assets over the next 18 to 24 months and remain primarily in core verticals and markets GE knows best.

Going forward, GE Capital ending that investment will be about $90 billion with only $40 billion in the United States.

Here are some of the key reasons for this action. Our industrial businesses are performing well. We continue to see opportunities for growth and margin expansion. We remain on track for industrial EPS in 2015 of $1.10 to $1.20, up strong double digits. More than 90% of GE's earnings will come from industrial businesses. This will create substantial shareowner value. These actions create $35 billion of capital that will be returned to the parent. There is potential to return $90 billion to shareowners over the next few years via the buyback, the Synchrony exchange and the GE dividend.

Our Board has authorized a buyback of up to $50 billion excluding Synchrony. This is an excellent time to sell financial assets. We think that Synchrony's performance and the Australia consumer finance value demonstrate that our platforms may be worth more outside the Company.

In addition, we announced the sale of a commercial real estate platform, roughly $26 billion of assets. With the announced commercial real estate transaction, we have about half of our 2015 goals for asset sales already achieved.

To facilitate our asset sales, we plan to take a day one charge that writes off goodwill, taxes and shortens the hold period on certain assets. This is primarily non-cash.

We see this as positive for bondholders and regulators. We have amended our MA agreement to guarantee the GE Capital debt supporting bondholders. We do not expect to issue any GE Capital debt for at least five years. And our action eliminates a large wholesale funded non-backed SIFI and we are working with regulators on SIFI de-designation. This is exactly what was envisioned by the FSOC process.

Lastly, our underlying business performance in the first quarter of 2015 and our expectations for the year are consistent with our guidance and framework and we will give you an update on that next Friday.

We have been improving our business mix while growing EPS since the financial crisis. A decade ago, GE Capital was more than 50% of GE's earnings as we experienced headwinds in our power and aviation businesses. Today our industrial businesses are doing great and our biggest decisions have been centered on the value of GE Capital.

Since 2008, we said that we would take actions in financial services that were primarily in our control that benefit investors. And we have methodically reduced the business in ways that created asset value. Including Synchrony and commercial real estate, we have sold about $200 billion in ending net investment at a substantial net gain. Today's announcement is in that same vein. We can execute this plan while generating value for our investors.

The future for GE is as an industrial company, one in which our financing capability is advantaged because of unique knowledge of assets and markets. With more than 90% of our earnings coming from industrial businesses, we believe that it should be easier for our investors to value the Company. Going forward, all of our businesses benefit from our enterprise strength, what we call the GE Store.

Recently you visited our Global Research Center to see the integrated strength of our broad and deep technical leadership. We also view our global scale, huge installed base delivering customer outcomes and lean structure to be important advantages. And increasingly, financing is a key part of the GE Store. These advantages should translate to improved growth and margins.

GE going forward has the capability, the growth prospects and the returns to earn a premium industrial valuation in the future.

Now let me turn it over to Keith.

Keith Sherin *- General Electric Company - Vice Chairman and CEO, GE Capital*

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Thank you, Jeff. As you all know, we have done a lot over the last six years to shrink GE Capital while also making it much safer. As at year end 2014, our earning net investment was down $175 billion to $363 billion. We reduced both our real estate and our global mortgage books by over 60%. We also completely changed our balance sheet as we reduced our commercial paper from over $70 billion to $25 billion and we increased our liquidity from $37 billion to over $75 billion. We also significantly increased our capital levels and reduced our overall leverage.

On the negative side with our unsecured debt funded model, we have a funding disadvantage versus the banks who have much less expensive deposits and our return on equity in 2014 was 8.6% below GE's cost of capital. As we look forward post-Synchrony, our return on equity will be even lower.

So while we become much safer, we also had a negative impact on our ability to generate acceptable returns on our capital. That leads me to the next page -- why now?

Several factors have come together to make this the right time for this strategic change. First, as I covered on the previous page, our business model has become much less competitive.

Second, the success of Synchrony and other dispositions like our Australia consumer finance business, give us tangible proof points that other owners place more value on our platforms than our own investors do as part of GE.

Third, we see a very attractive market for selling our assets. Just based on rumors over the last few weeks, we've had a significant amount of inbound inquiries to buy our businesses. I will cover our track record in a few pages.

Fourth, there has been more discussion around the SIFI de-designation process. De-designation guidance was published in February and the recent congressional hearings gave us additional input on regulatory thinking around the subject.

And fifth, we have a plan that we believe works for all of our major constituents. It is taking quite a bit of work to develop this plan. We have addressed bondholder, shareholder and regulatory issues with plenty of internal and external expertise. I'll cover some of the details and then Dan Janki and Jeff Bornstein will cover more on the structure and financial impact of this plan.

Bottom line, we think the timing is right to execute this strategic shift.

So next I will cover the portfolio strategy. The two bars on the left side of this page add up to the $360 billion of ending net investment as of year-end 2014. The far left bar represents the investment that we plan to exit. The top section represents $75 billion of dispositions that are already underway, including Synchrony.

The next section is the $35 billion of real estate that we announced today, so 40% of our total exits are underway or announced. And the balance is the rest of our consumer global assets and all of our commercial lending and leasing platforms.

The bar on the right represents the investment that we plan to have going forward, mostly the verticals and I'll cover more on the go-forward GE Capital in a few pages.

On the right side we list the key execution factors for this plan. The first and most important step for us was to make sure we executed this plan while keeping stability in the capital markets. And as of today, we are modifying the existing income maintenance agreement between GE and GE Capital and we're providing a full guarantee, a full GE guarantee on the GE Capital debt. Dan Janki is going to cover more on this in a few pages.

Later this year we will be executing an internal reorganization of GE Capital to ensure that we honor our bondholder covenants. With this plan, we will take our commercial paper down to $5 billion by year end 2015 and we don't plan to be issuing any incremental GE Capital debt for at least the next five years.

The second key to execution will be to work responsibly with all of our regulators. As we sell assets, we will be building liquidity and also capital levels. Dan and Jeff will cover our plans in both of those areas. We expect to sell our US assets quickly and our goal is to apply for de-designation as early as possible. Our objective is to be in a position to apply sometime in 2016.

We also have a plan to form a UK holding company to hold our global assets and that we will have a consolidated e-regulator for those operations. And third, we have a tremendous amount of work to do to execute the sales.

While we are very interested in obtaining the right value for our shareholders, we are also going to be balancing speed with certainty.

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So let me look at the track record. I mentioned we have a good track record here on dispositions. On the left side of the page, you can see that for the past six years we sold over $100 billion of businesses and assets while realizing $4 billion of gains. We have sold banks and bank stakes in Thailand, Turkey, Russia and Central America. We have sold our consumer FinCos in the Nordics, Switzerland and Singapore. We have done straight asset sales, platform sales, instruction sales over time, IPOs. We've sold the banks, other FinCos and private equity players and we've exited dozens of smaller hard-to-sell platforms.

We have an excellent business development team that is very connected to the buyer universe and now with this plan we are going to be selling many very successful market-leading franchises.

In the middle of the page is a brief Synchrony update. Margaret Keane and her team continue to do an excellent job preparing for separation. We plan to file our application for separation in the April/May timeframe. We believe that we are on track for a late 2015 split and you should continue to use January 1, 2016 for planning purposes.

At current prices we would realize about a $2.5 billion after-tax gain, an affect a $700 million to $800 million share buyback in the exchange.

On the right side is a summary of the real estate exit that we announced today. We have reached a definitive agreement to sell $22.5 of our real estate assets to Blackstone and Wells Fargo. This deal includes $3.5 billion of seller financing, which we will syndicate to the market by mid-2016. In addition, we have several deals with letters of intent representing $4 billion worth of real estate exits that we expect to finalize in Q2. Together these deals cover 100% of our equity book and most of our debt book and represent $26 billion of real estate assets sold at book value.

We will be retaining $3 billion of debt, including $700 million of volume that we funded in March and just didn't have time to sell yet. We expect all the remaining $3 billion of debt to be sold by year-end 2015 and we will be taking a $2.4 billion after-tax charge related to the exits to cover goodwill write-off, taxes and transaction costs. Again, Jeff will be covering the entire day one charge in a few minutes.

So if you look at the deals we have completed, plus Synchrony, plus real estate, we will have sold $200 billion of assets and platforms for a net gain and this gives us a lot of confidence as we embark on this new plan.

So next page, next a little more color on the platforms and assets that we plan to sell. I covered the real estate transaction. For commercial lending and leasing, we have the leading businesses in middle-market lending, distribution and equipment finance. In our global fleet business, we are the market leader in the US. We have strong positions in developed markets in Europe and Asia. Our mid-market sponsor business is also the market leader in the US with a tremendous team in the GE Antares platform.

The balance of our US CLL business defines middle-market lending. We have leading positions in healthcare lending, inventory finance, transportation finance, franchise finance and equipment finance. We have over 1450 direct originators and more than 260,000 customer and dealer relationships.

Our international CLL business has similar strengths in mid-market leverage lending and leading positions in factoring, and we will continue to exit our remaining global consumer platforms including our global mortgages and remaining global banks.

To help us execute, we've hired JPMorgan to work with us as a global coordinator for this disposition plan and when you look at the total left to go, overall we have about $165 billion to go and we are already in discussions on several of those platforms.

So next I want to just give you a snapshot of GE Capital going forward. The left side shows the ending net investment forecast for the next several years. You can see that we plan to shrink rapidly. Our goal is to get down to $90 billion globally by the end of 2017. Our estimate is that we will have about $50 billion of ENI outside the US and about $40 billion in the US.

On the right side you can see that the future GE Capital segment will have about $1.5 billion in net income and a 13% return on tangible equity, ex-insurance. We plan on giving you the pro forma financial information for this future GE Capital every quarter as we go forward.

And next is just a brief look at the core verticals. You're all familiar with them. We have a market-leading position as the largest aircraft lessor in the world with GECAS; 85% of our fleet is powered by GE or CFM engines and we have a great global team with deep customer relationships.

Our energy financial service business has $14 billion of investment. We have a strong relationship with GE Power & Water and we are growing our relationship with GE Oil & Gas. And our healthcare equipment finance business has a strong synergy with the GE healthcare team.

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So overall, three strong platforms that really help GE industrial businesses compete and win in the marketplace.

Now let me turn it over to our treasurer, Dan Janki.

Dan Janki - ***General Electric Company - SVP and Treasurer, GE Capital***

Thank you, Keith. I'll take you through the expected funding and liquidity profile as we execute this plan.

First, I would like to reinforce an important element of executing this plan that Keith mentioned earlier. We amended the income maintenance agreement to provide a guarantee on all GE Capital's tradable senior and subordinated debt securities and commercial paper issued or guaranteed by GE Capital. We believe this provides clear GE support of GE Capital's debt securities and the flexibility to execute this new plan.

Now let's go to the funding profile. We ended 2014 with $350 billion in total funding. We expect to reduce this by $260 billion over the five years with $230 billion of that occurring in the first three years.

The drivers of that reduction are the following, no new GE Capital long-term debt issuances for at least five years. We will reduce our commercial paper program by $20 billion down to $5 billion before year end. Additionally, $121 billion of long-term debt matures or is callable over this period. And then lastly, a $58 billion reduction is associated with exiting securitization and deposit platforms as we sell the businesses they directly fund.

So our plan is to execute this in a very safe and secure manner. We will maintain elevated liquidity positions as we generate cash from asset sales. As you can see, we will maintain a 24-month liquidity coverage ratio of 145% to 210% before returning to more normalized levels in 2019. With this strong liquidity position, we will opportunistically evaluate buying back debt and other liability management actions based on interest rate and the economics of those transactions.

We reviewed this plan with both Moody's and S&P. As you saw in their morning notes, the plan has limited impact on ratings. First, no change in GE Capital issuer rating. S&P affirmed GE's rating. Moody's reduced GE by one notch. Based on Moody's rating, GE still remains one of the highest rated US industrial companies and one of the top six globally. Both firms maintain stable outlooks for both GE and GE Capital.

So in summary, these actions result in a smaller, simpler funding footprint that substantially reduces the wholesale funding risk as we go forward.

So now let me turn it over to Jeff. Thank you.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Thanks, Dan. On the next few pages I will take you through the financial expression of this plan. I'll start with the expected charges associated with remaking of GE's Capital.

We expect the charges in the first quarter to total approximately $16 billion driven by the following four components. First, we expect to book a loss of $3 billion associated with the businesses being moved to held for sale in the first quarter with an expectation that they will be sold in the next 12 months. These businesses include our sponsor finance business, our healthcare assets that are unrelated to our GE industrial healthcare business, our commercial business in Australia, the fleet leasing business, and our UK inventory finance business. In total those businesses represent $45 billion of assets.

Second, we will record $5 billion of impairments associated with businesses and assets that we expect to sell over the course of this plan for which the change and expected hold periods necessitated reevaluating the carrying value of those assets. These impairments are largely driven by our European mortgage portfolios, our investment in Asian JVs, and our commercial assets.

Third, we will repatriate about $36 billion of cash at a cost of approximately $6 billion as we resize our international operations.

And finally, as Keith discussed, we will take a charge in discontinued operations of $2 billion for the agreement to sell our commercial real estate business. We will exit real estate at roughly book value for the assets. The charge is attributable to the write-off of goodwill currency translation, transaction costs and tax assets associated with the real estate.

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In totality, we estimate the charges for exiting all but the vertical businesses to be about $23 billion. The incremental $7 billion will be driven principally by additional businesses positions including goodwill write-offs, restructuring and retention costs. Of the $23 billion of total estimated exit costs, roughly $6 billion will be cash related.

All of these estimates exclude the anticipated gain in discontinued operations of $2 billion to $3 billion associated with the final split off of our Synchrony shares.

Next, I will cover a simplified look at the expected pro forma earnings for GE Capital over the next four years. I want to emphasize that this plan may change as the timing of asset sales evolve.

At the top of the page I will start with the verticals operating segment. The segment includes aviation leasing, healthcare equipment finance, energy financial services, working capital solutions and the remainder of our insurance business. We expect the segment to earn about $1.6 billion in 2015 and about $1.4 billion in 2016. Earnings will be down in 2016 driven by lower tax benefits as a result of this plan. We expect the run rate earnings for the segment to be about $1.5 billion a year including their own headquarter costs while earning an attractive return on tangible equity.

This is what we will look to as continuing operating earnings for GE Capital.

On the next two lines of the profile are the charges associated with executing the plan and the interest carry costs associated with debt in excess of the amount required to finance the vertical segment. These excess debt costs will reduce over time as we pay down debt maturities. These two lines get you to what we expect to be continuing earnings for GE Capital.

Discontinued operations reflect the charges associated with the Real Estate business as well as future charges for our CLL and Consumer. We expect that towards the end of this year as we action additional CLL businesses, any platforms at that time or subsequently that are held for sale will move to discontinued operations. Additionally, when we affect the split off of Synchrony, any further consumer business sales will also move to discontinued operations.

The gain in 2016 discontinued ops reflects the estimated gain on Synchrony, partially offset by other dispositions.

To put this all within the context of our original framework for GE Capital in 2015, we expect the business to earn about $6 billion for the year or $0.60 a share. Subtracting the day one charge of $16 billion I just walked through, the earnings that we will forgo by selling businesses of $2 billion and additional expected held for sale in restructuring charges of $2 billion is how you walk to our estimate today of a loss of $14 billion for the year 2015.

Next I will cover how we are thinking about value. On the top left is our estimate for the ENI dispositions over the next three years. We have already actioned 50% of the plan for 2015 and over the next couple of years these dispositions will unlock substantial amounts of capital.

On the bottom left of the page are three scenarios that articulate the amount of capital we would expect to return to GE based on the asset reduction I just covered and the amount of Tier 1 common capital we will operate with over this transition period.

Taking the middle case, if we maintain 14% Tier 1 common for 2015 through 2018, GE Capital would dividend $1 billion in 2015, $18 billion in 2016 and $7 billion to $8 billion respectively in each of 2017 and 2018 for a total of approximately $35 billion. In each of the three scenarios, the total dividend amount is $35 billion.

Not returning capital above these levels would result in our Tier 1 common capital levels growing to in excess of 30%.

We ended 2014 with 13% of Tier 1 common capital on a Basel III transitional basis. We will operate throughout the execution of this plan in a safe and sound manner and will work with our regulators on determining the appropriate capital levels over the next few years.

On the right side of the page we have laid out how we think about the value of GE Capital. Today our retained interest in Synchrony is valued at about $20 billion. As I walked through, we think the execution of this plan returns $35 billion of capital to GE and we believe that the verticals longer-term will represent at least $20 billion of value for shareholders. In total, we believe there is an excess of $75 billion of value in GE Capital in addition to the value creation that these businesses create synergistically with our industrial platforms.

Next I will cover what we think this means from a capital allocation perspective for shareholders. In this construct we believe that we will be in a position to return up to $90 billion or more of cash between 2015 and 2018 through dividends, buybacks and the Synchrony exchange. The dividend remains a priority for the Company. We plan to maintain the current dividend through 2016 and expect it to grow thereafter. The current dividend yield on the stock is an attractive 3.7%.

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In the short-term, our payout ratios will increase as a result of the charges associated with reducing GE Capital to just the verticals but we expect the ratio to be in line with historic levels by 2018.

Synchrony remains on track and we anticipate the exchange for shares of GE to retire approximately $20 billion of our stock at today's valuation. Executing this plan gives us an opportunity to use up to $35 billion of the dividends to repurchase shares. As a result, the Board has approved a new buyback authorization of up to $50 billion. The combination of GE Capital dividends and the Synchrony exchange affords us the opportunity to reduce our outstanding shares to 8 billion to 8.5 billion shares.

Over time we plan to be opportunistic on M&A, particularly bolt-on acquisitions where we see value and good returns and the chance to enhance the long-term value of our industrial franchises.

Turning to the next page, there is no change to our industrial EPS outlook. At year end we guided to an expectation of $1.10 to $1.20 of industrial earnings in 2015 and we expect to deliver within that range. Longer-term we expect to continue to grow industrial earnings at a double-digit rate driven by organic growth, our focus on gross margins and SG&A efficiency, the benefit of reducing shares outstanding and the addition of Alstom to our portfolio.

Finally before I turn it back to Jeff, I wanted to give you a view on how we are thinking about the impact on EPS over time as we execute this plan.

Starting with 2015 guidance of $1.70 to $1.80, on the left and moving to the right, the Synchrony split off will reduce EPS $0.07 a share as we lose $0.17 a share of earnings. That will be partially offset by $0.10 a share of accretion on the reduction of GE shares through the exchange. Executing this plan will reduce GE Capital earnings per share by $0.25 but we expect that to be offset with $0.25 a share of accretion in primarily industrial EPS as a result of buying back stock with GE Capital dividends.

And then consistent with our long-term view, we expect attractive industrial growth over the next four years.

We anticipate that in 2018, we will generate about the same amount of EPS as we had planned but with a mix of earnings that is not 75% industrial and 25% financial but with greater than 90% of our earnings being generated by a set of world-class industrial infrastructure franchises. In addition, we think we will have significantly reduced the amount of enterprise risks associated with a large financial services business and improve the earnings quality of the Company.

So with that, I will turn it back to Jeff.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Thanks, Jeff. As I said at the outset, this is a pivotal day for GE. GE Capital has been an important part of the Company and an important part of our valuation both on the upside and the downside.

Over the past few years, we have strengthened the balance sheet and focused the business while understanding the potential for GE to compete and generate long-term returns in financial services. We have decided that the best capital allocation decision is to invest in our leading high-tech industrial businesses. These businesses have the capability to generate exciting EPS growth and all benefit from every element of our competitive advantage.

At the same time, we have an excellent track record of financial asset sales and the demand for our assets from the outside is robust. The actions announced today should generate substantial benefits for investors. We plan to return $90 billion to shareowners through buyback, the Synchrony split and dividends. And we expect to deliver for you the same earnings profile by 2018 with more than 90% of our earnings from industrial.

We think these actions lower risk for the financial system. From a regulatory standpoint, this eliminates a large wholesale funded non-backed SIFI consistent with the goals for FSOC.

We want you to see GE as a premier industrial. We think today's actions allow for more growth, more focus, improved consistency and less risk. And we are running the Company differently and we believe there is substantial value for investors in the years ahead.

Lastly, let me complement Keith and the GE Capital team. They have led the business through a period of great change. They are very skilled and professional.

Matt, now let's take some questions.

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Matt Cribbins - ***General Electric Company - VP, Corporate Investor Communications***

Thanks, Jeff. I will turn it back over to the operator to open the lines up for some questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Scott Davis, Barclays.

Scott Davis - ***Barclays Capital - Analyst***

Congrats. This is big stuff and I know we have all given you a lot of crap over the years but this is pretty good stuff for redemption. So thanks for that. That's my best apology I can make, by the way. That's as good as I can get. (multiple speakers). You can keep your job a little longer, I guess.

Anyways, I'm looking at slide 12 at the exit costs and the $23 billion impact. I assume that if you had gains on any of the sales that would be a natural offset to that. Is that a correct way to think about it?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, any gains beyond what we have already modeled in here would be an offset in here. We have some gains in here verses our carrying value at the asset level. They are masked by as you can see on the top there, the goodwill that we will take off. So if we outperform our assumptions here on what we'll move these assets and businesses for, then it would be an offset to the $23 billion.

Scott Davis - ***Barclays Capital - Analyst***

Okay. Would you characterize your exit assumptions as mark to market today or conservative or just give us a sense around that.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

I think the values that we have here are our view of where we see values today. I think there's an opportunity -- we expect a lot of demand for these assets, Scott. So at some level, we are hopeful that we can outperform here but I think that we have used the values here that we think these assets prudently would be valued at today.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

We have outperformed expectations so far, Scott, on this process but I think we have done this in a pretty conservative fashion.

Scott Davis - ***Barclays Capital - Analyst***

Okay. And just a couple logistical things. The move to support the debt, is that just to make sure you don't get any pushback from the debt holders on this move? It seems like a bit of a nuance to me but trying to understand why you would need to do that.

Dan Janki - ***General Electric Company - SVP and Treasurer, GE Capital***

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No, I think, as I mentioned as I went to the slide, it just ensures that we provide clear GE support through this transition and it allows the flexibility to execute the plan. So it's the right mechanism for this plan.

Scott Davis - ***Barclays Capital - Analyst***

Okay. I'll get into that afterwards. And then just lastly, the tax implications. Is there some sort of a future tax rate that you are thinking about in terms of the remaining financial sub-assets and then GE industrial as you think about even a couple years out?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, Scott. I would say that we expect the GE Capital rate to be kind of low double digits on a prospective basis. A little higher than where we have been, obviously recently, significantly higher than where we would be post Synchrony without making this change. I don't think there is much of an impact on the GE industrial rate. Now the consolidated rate because GE Financial Services is going to be a lower percentage of the total, the consolidated rate will be higher. It will probably be something like 20% or thereabouts.

Scott Davis - ***Barclays Capital - Analyst***

Okay. Congrats, guys. And I will move on. Thanks.

Operator

Steven Winoker, Bernstein.

Steven Winoker - ***Sanford C. Bernstein & Co. - Analyst***

So I guess I will echo the congrats on an aggressive move here. I also want to just ask Jeff and Jeff and Jeff, we have talked a lot over the years about challenge and making a big move like this from a tax leakage perspective and other execution factors. What finally put you over the edge to believe that the cost of doing this, which is still significant, is outweighed by the benefits here? Was it more strategic than anything or maybe just a little insight on that would be helpful?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, I think at its essence, Steve, this is a capital allocation decision. I just think with the clarity we have now around the business, around the funding model, around the regulatory regime, etc., etc., that when you look forward we just did not see an attractive proposition for getting return on capital that made sense for the Company or make sense for shareholders. And so we have a window of opportunity here. We think that there is some appetite for filling the vision of the FSOC and reducing systemic risk for financial institutions. We would certainly do that. And the market for these assets is just extraordinarily attractive today, low interest rates, tons of demand, lots of liquidity and we just think as a capital allocation point, it just makes more sense to put these assets in a better place where they will be valued more highly than they are being valued in the stock today and return that capital back to the Company.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Steve, I would just echo what Jeff said. The cash element of the charge is manageable and I think not that bad and then I just think we are at a moment in time that is quite strategic. You guys are on financial service companies -- you've got slow growth, low interest rates, a ton of liquidity and search for yield. So we have seen that in all the sales processes we have been through and I would echo what Jeff said. I just think the timing is really right to do this.

Steven Winoker - ***Sanford C. Bernstein & Co. - Analyst***

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Okay. And what does this mean for M&A, the trade-off for buybacks versus M&A? Clearly you are offsetting all the dilution here. But is that really the primary issue and does this now limit your M&A capacity even further?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Steve, I would start with the fact that we are going to -- we plan to complete our biggest acquisition this summer so we've got a ton of work ahead on creating value from Alstom. This allows for a couple, $3 billion to $5 billion a year in bolt-on acquisitions as we work through this and so we think we've got plenty of firepower to do what we need to do and we have made good investments in our platforms. We've got a decent organic growth profile as we go forward as well. So I think the primary, just again what Jeff said on capital allocation is we feel like the underlying plan to buy back stock is the right way to think about capital allocation.

Steven Winoker - ***Sanford C. Bernstein & Co. - Analyst***

Okay. And just a couple of clarifying questions. How mature are those negotiations already besides the real estate stuff that you have already done? When should count on Real Estate, some of these Real Estate transactions closing? Is CLL, are you thinking about pieces or the whole thing? Just a little more perspective so we can kind of think how to model this.

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

Sure. I would say that obviously the announcement today, the Blackstone, is a finalized sales and purchase agreement, so that is real on the $22.5 billion. We have active LOIs on the four that we just couldn't get all the way to a final purchase agreement. We believe we will execute those in the second quarter and all these Real Estate deals, including the remaining debt that we have, we expect to close before the end of 2015. So Jeff Bornstein showed you that we have a $90 billion reduction of assets in 2015. The Real Estate and the announced deals like Australia and Hungary will give you $45 billion of that and then we're going to go to work on the others. We are going to work on our healthcare financial sponsor business. We're going to work on our sponsor business, GE Antares. We are going to work on our fleet business in the US. And so we haven't started that yet. I think we have had a lot of inbound inquiries but the fact that we now have this out in public will enable us to move really quickly on that and we are really -- I think we have a plan of $90 billion. We are going to try and do better than that. We think the market is right and we are going to go as fast as we can.

Steven Winoker - ***Sanford C. Bernstein & Co. - Analyst***

Okay. Congrats and good luck.

Operator

Julian Mitchell, Credit Suisse.

Julian Mitchell - ***Credit Suisse - Analyst***

Just wanted to follow up on the question around the guaranteeing of the debt and the extent to which that might limit the flexibility, let's say, on different exit mechanisms. For example, does it mean that other spinoffs are very unlikely and it's really all about going down the path of direct asset divestment?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

This is Keith again, Julian. I don't think that is going to limit us. I think with our exit plans, we don't have anything that is contemplated to be like Synchrony, I would say. We are going to be selling platforms and assets but I don't see anything in the guarantee that limits our ability to sell those assets. Dan showed you the liquidity plan. We will build liquidity in access of our current maturities and we will pay those down over time. So this one actually doesn't limit us that we can see in any way in the plan that we have today.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

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Julian, I would just put a little both on Steve's question and Keith, since 2008 around GE Capital, we have said to investors that we are only going to move when we could take actions that were primarily in our control and felt like we could maximize shareholder value. And so I think you have seen us be suitably cautious since the financial crisis and I think this action today is along those same lines. We think we can see a pathway to sell all of these assets and we think we can do it at good valuation for investors. So this is really consistent with past practices in some ways.

Julian Mitchell *- Credit Suisse - Analyst*

Thanks. And then just on that point, maybe just give some perspective on since the crisis, the average divestment multiple has been relative to the book value for the divestments out of GE Capital and the extent to which as you said it is a robust environment for transactions for your assets, how you see that multiple differing as you wind down these businesses in the next three years?

Keith Sherin *- General Electric Company - Vice Chairman and CEO, GE Capital*

Well, we have a pretty good track record. On the $100 billion, there were over 40 transactions in there over the last five years and we had a $4 billion net gain after the transactions in total. And we sold some pretty tough assets in there. We were not selling the best assets, as you know. So I feel pretty good about the track record.

Going forward, we believe that we are going to realize proceeds in excess of tangible book value on the total $200 billion that we are going to embark on a disposition plan here. So we feel pretty good about it. We have done our own internal evaluations. We've had third parties help us with evaluations to develop this plan. And if you just look at the evidence, take a look at Australia. The Australia/New Zealand consumer finance business, we put that into an auction and we sold that at 2 times book. That would be better than what we are estimating for the total proceeds that we going to get out of these platforms that we plan to sell going forward.

So I think we've got a reasonable plan. We've got a thoughtful plan and we are going to execute as quickly as we can. Speed is going to matter and we are going to get good value at the same time.

Julian Mitchell *- Credit Suisse - Analyst*

Great. Thank you and congratulations.

Operator

Shannon O'Callaghan, UBS.

Shannon O'Callaghan *- UBS - Analyst*

Can you just flush out a little bit more the increased clarity that you got on becoming a SIFI de-designation, let's say. Was it really the less than $40 billion of ENI that you saw getting to in the US, or was there more? You mentioned the hearings giving you some clarity, so maybe a little more color on what happened there?

Keith Sherin *- General Electric Company - Vice Chairman and CEO, GE Capital*

Yes, I can take a shot at it. We have obviously been just watching what the FSOC is saying. In February, there were some brief guidelines issued about the offramp and that is a start. Obviously no one has ever done it.

And then obviously the hearings, the Congressional hearings, I think you look at some of the commentary around the hearings, one that SIFIs received higher capital charges to encourage them to shrink. Two, that if a SIFI actually changed its business model they should come in and talk to the FSOC about the change and what it meant for the designation. And those things, those three things, all line up with our strategy here around capital allocation.

So we are trying to achieve an objective that is good for the financial system that is also really good for our shareholders and I think we have found that sweet spot here.

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Shannon O'Callaghan - ***UBS - Analyst***

Okay, thanks. And then most of the attention obviously on the big strategic move but it was interesting that the industrial framework was reiterated for the year, which is kind of a statement given some recent pre-announcements this week and things. Any puts and takes in terms of the 2015 picture?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Yes, we will talk to you next week on the quarter, Shannon, and update you then.

Shannon O'Callaghan - ***UBS - Analyst***

All right.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

We'll let the statement stand on its own.

Shannon O'Callaghan - ***UBS - Analyst***

All right. I thought I'd take a shot.

Operator

Deane Dray, RBC Capital Markets.

Deane Dray - ***RBC Capital Markets - Analyst***

I'll also add my congratulations. A couple of questions. The first is, just to make sure I'm clear on some of the nomenclature because at one time you talked about the non-core holdings at GE Capital. They were called non-core or red assets. And I know in Jeff Bornstein's prepared remarks, it looked like those were also being divested because you mentioned the UK mortgages. But maybe just size for us what those red assets were at the end of the year and the path of divestitures on those?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

Sure, I think the easiest way is if you go back to page 6, our asset disposition plan. Really the red assets would be comprised in two buckets. They would be the real estate equity, that was about $10 billion at the end of the year and obviously we have sold that now. And then down at the bottom in international consumer, a lot of those are nonstrategic what is left at $37 billion. We also included Synchrony in nonstrategic. Obviously a great asset but that is on its way out as well. So all of it will be on the way out here. We are selling it all.

Deane Dray - ***RBC Capital Markets - Analyst***

And just to clarify on the UK mortgages, what is the regulatory capital that gets released on those assets versus a business like Synchrony?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

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Well it will be significantly less. There's less than $500 million of regulatory capital released associated with UK home lending, so it's a very small. It's a couple hundred million dollars. I mean Synchrony obviously will be close to $20 billion of total equity that we'll be exchanging for GE shares in the exchange. So significantly less. The $35 billion that we are returning back to the parent does not include the Synchrony number, Deane. The Synchrony number is on top of that.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

I would just clarify. So, Keith is exactly right. When you think about the plan that we just walked you through even though we are going to try to outperform in terms of speed, about one-third of the capital generation that allows the $35 billion of dividend to flow will get actioned and executed in 2015. So this is not way, way out there in 2017 and 2018. We will start executing very, very quickly here.

Deane Dray - ***RBC Capital Markets - Analyst***

Great. Just last question, could you flesh out the thought process about the repatriating the cash? It really looks like this year across US public companies it is going to be a record year of repatriating cash. So what is the thought process? How much tax incrementally and are you just being because of the structure of the sales, you had to do this or was there any way opportunistic?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

No, this is a function of executing this plan so as part of this plan, we've got to resize our international operations, both the debt and the equity, get it capitalized properly.

And as part of that, we chose to repatriate $36 billion of cash at a $6 billion charge. That's roughly a 35% tax rate on the earnings we are bringing home. We are bringing home more than just earnings. We are also bringing home the initial investment in the businesses that supported those earnings. So it just made sense as part of this plan.

I just want to go back again and say it's a $23 billion headline charge but it's about $6 billion of cash associated with it, with a total $23 billion charge. So I would say in the context of remaking GE Capital, this is a pretty reasonable friction cost in the form of cash to get this accomplished that we feel pretty good about.

Deane Dray - ***RBC Capital Markets - Analyst***

Great. Thank you.

Operator

Andrew Obin, Bank of America.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

Not a lot to congratulate (technical difficulty) But just a question on industrial balance sheet flexibility post the transaction. Am I correct to understand that we are not [using] of the industrial balance sheet (technical difficulty) return?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

The cash is coming from the capital balance sheet.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

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Yes, the cash is coming -- within the capital balance sheet from offshore to onshore.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

So all of your capital assumptions imply no use of the industrial balance sheet right now?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Right.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

So the second question, talking about sort of down the line industrial balance sheet flexibility and exit from CLL and SIFI de-designation, when do you guys think you can fully utilize the industrial balance sheet? What are the regulatory steps on GE Capital's side to enable you to do that?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Andrew, I don't think it's a function of the GE Capital balance sheet per se other than executing this plan and getting GE Capital de-designated and resized and reshaped. At that point -- at some point in the future, we will have decisions we will have to make about how we want to most efficiently use the GE balance sheet.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

I guess what I was asking is that there is a linkage -- there is a regulatory linkage between GE Industrial balance sheet and GE Capital and from that perspective the fact that you still continue to support GE Capital's debt, what does that imply for ability to lever up GE Industrial? That's what I am asking. (multiple speakers)

Jeff Bornstein - ***General Electric Company - SVP and CFO***

I understand your question. As Dan went through, we are going to maintain enormous amounts of liquidity. We will have 24 months of maturity coverage in excess of 140% as we work through this plan. So that's effectively defeasing the maturities associated with that GE Capital debt. There is not going to be anything implied on the GE balance sheet for that debt as part of the guarantee. As long as GE Capital and the rating agencies are comfortable that the cash flows of GE Capital can be a source to repay those maturities, that debt will not be applied on the GE Company metrics.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

I think, Andrew, there is a time for this in a future discussion. I think we feel like we are safe and secure today. We are an extremely highly rated industrial company but there are other -- there is more optionality down the road on the industrial balance sheet and we will discuss that at some time -- point in the future.

Andrew Obin - ***BofA Merrill Lynch - Analyst***

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Fantastic. Thank you very much.

Operator

Jeff Sprague, Vertical Research.

Jeff Sprague - ***Vertical Research - Analyst***

Congrats on a very bold move here. Just a couple of housekeeping things. A lot of things have kind of been covered here. The decision not to go ahead and just disc-op all this stuff, could you maybe speak to that? And does it go to the fact that you really only have 25% of this purchase agreement in hand?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

No, it's just how the accounting work -- accounting rules work, Jeff. So Real Estate was its own segment within GE Capital. It was large and so the decision to sell it took it straight through to disc ops. The deeper we get into CLL and then Consumer with Synchrony, subsequent to those big moves enough of those segments will be held for sale or sold that anything from that point forward will go straight to disc ops as well. So it's just an accounting threshold.

Jeff Sprague - ***Vertical Research - Analyst***

Okay. And so on that point, you are obviously taking the big charge upfront. As you do sign deals and move this stuff out, we should not expect any gains then coming back into your earnings construct, any gains now relative to these negative marks will just go through disc ops. Is that (multiple speakers)

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, we will be very transparent about how we perform against the baseline that we've given you here on implied gains and the total charge. And you will see those either in continue with disc op depending on the timing but we will be very clear about what those are.

Jeff Sprague - ***Vertical Research - Analyst***

And then you characterize 2018 as being in line with your plan but I don't think we know exactly what your plan is. It looks like if you do the top of your industrial range here of $1.20 and grow that a 10, you are at like $1.60 in 2018, $0.15, $0.20 of capital. It looks like you are guiding us to about $1.80 in 2018?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Jeff, I think you missed the buyback and you missed Alstom. You missed a lot of stuff that is in there. It is substantially higher than that.

Jeff Sprague - ***Vertical Research - Analyst***

Okay. It's not apparent (multiple speakers)

Jeff Immelt - ***General Electric Company - Chairman and CEO***

I think it is, actually. I think it actually is. So I think it is substantially higher than that.

Jeff Sprague - ***Vertical Research - Analyst***

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All right. And then finally, what would you consider a normal payout ratio then as you think about the dividend going forward?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Around 50%.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

I think in the context, Jeff, of the dividend, flat or growing. In other words I think the dividend is key for the stock and I think that's the way investors ought to be thinking about it. And again with all of this buyback, the cash outlay on dividends is -- reduces dramatically.

Jeff Sprague - ***Vertical Research - Analyst***

Okay, great. Thank you.

Operator

John Inch, Deutsche Bank.

John Inch - ***Deutsche Bank - Analyst***

The press release says that the actions still allow room for opportunistic bolt-ons. Is there a way to frame what you guys mean by that because obviously we've got Baker Hughes, Halliburton assets that could be very substantial coming off. I think you have historically, prior to Alstom, sized deals above $4 billion as not likely to happen because they were too large. Is there any sort of an update to the thinking of how we would describe the trajectory of bolt-ons, how big, sort of what you are thinking big picture?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

John, so I think we kind of built on the plan kind of a $3 billion to $5 billion annual type outlay on M&A. But we also have portfolio choices that we make all the time to sell industrial assets and buy other industrial assets and so I think we've been pretty sure-footed around the portfolio to do the things we needed to do to improve the business.

So I think we have attempted to make this a balanced plan but one where the underlying buyback is quite positive.

John Inch - ***Deutsche Bank - Analyst***

And then has CCAR stopped? In other words, you had been going to this process probably creating distraction and so forth. Has this just now stopped and you can kind of focus on this plan, or is it still kind of concurrent -- is there some other event that we have to wait for approval of this? Or I am just trying to understand how that works.

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

I would say that you saw recently that there was a proposed 165 order on enhanced Prudential standards for GE Capital. There was a comment period. That comment period closed and there have not been final 165 rules published about GE Capital. So that is still open. If it were published in the way it was disclosed, we would be in private CCAR in 2016 and public CCAR in 2017. And so we are going to have to see what that eventual rule says. We are going to work constructively with the Fed on that but we are still regulated by the Federal Reserve and we will be until we ultimately receive SIFI de-designation.

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Jeff Bornstein - ***General Electric Company - SVP and CFO***

Our goal on this plan is to get down to $40 billion of US investment by somewhere right around the end of 2017.

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

That's right.

John Inch - ***Deutsche Bank - Analyst***

Okay, that makes sense. And then just lastly going back to the point about raising industrial debt at the parent, pro forma clearly you could raise a lot of money at the industrial parent that could be used for lots of different things. It would probably optimize shareholder value even further. But what are your thoughts toward possibly -- firstly, does all of this really have to fall into place to be able to raise that debt? And then subsequent to that, are you assuming any sort of GE industrial debt as part of the framework of share repurchase, or is this all pure standalone based on capital?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

So I would say the answer to your second question is, we don't assume any additional industrial leverage. This is just taking the capital and redeploying it to investors.

And then I think on your first question, John, look, that is a different discussion for a different day. I think this is -- where we are today, it helps us execute the plan. I think we want to be good for regulators, good for bondholders, good for investors and that is what we are announcing today and then that is a discussion we can have down the road.

Operator

Nigel Coe, Morgan Stanley.

Nigel Coe - ***Morgan Stanley - Analyst***

A couple of questions. Firstly, on the $35 billion of dividends, you have provided some scenario analysis based on different Tier 1 ratios. Do you think you can get some of the proceeds from Real Estate dividends this year, or is that more of a next year issue?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Well, I think it's really a function of two things as I walked through on that chart. One is what level of Tier 1 common capital are we going to maintain through this transition period. And I give you three pick points on that. And how fast we execute against the asset sales that generate the cash proceeds. So pick your pick point on that because we don't have the exact answer today. We think 14% is a substantial amount of Tier 1 capital that would put you at the very top of all the CCAR bags in terms of the amount of Tier 1 common capital that any bank holds.

So if you pick that is a pick point, right now that would say based on the current plan that we laid out that there would be $1 billion of dividends coming back in 2015. To the extent that we can execute the asset sales faster than what is in the base plan against 14% Tier 1 common, then in theory we could dividend proceeds faster than $1 billion in 2015.

Nigel Coe - ***Morgan Stanley - Analyst***

Okay. And is your plan to try and get this done by the end of 2016, the asset sales. Is that feasible?

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Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

Yes, the asset sales will mostly be done by the end of 2016. Jeff showed you that.

Nigel Coe - ***Morgan Stanley - Analyst***

Okay. And then finally, how should we think about the excess debt? You mentioned $100 billion in 2018, $90 billion in 2019. How much of that would you say is excess?

Dan Janki - ***General Electric Company - SVP and Treasurer, GE Capital***

As we go through this plan, in the middle years, we run about $30 billion to $40 billion of excess debt and that is where you see those elevated coverage ratios as we go through that and as I indicated, we will look at opportunities. We don't have any liability management proactively built into this but we will look at opportunities based on the economics of that where interest rates are.

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Yes, let me just clarify. So when Dan says liability management, we've not assumed here that we are going to proactively buy bonds in before their maturity. We may do that. We may not do that. That's an economic decision we will work through over time.

Nigel Coe - ***Morgan Stanley - Analyst***

Okay. Thank you.

Operator

Joe Ritchie, Goldman Sachs.

Joe Ritchie - ***Goldman Sachs - Analyst***

Big move. First question is really on the SIFI de-designation. What is your probability of success just given what you know today, the potential timing? I guess is it the way to interpret it that the -- your plan to dispose of the assets is not reliant on the de-designation?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

That is correct. Our plan doesn't involve the FSOC in terms of selling assets. We are starting -- we sold Real Estate obviously in the quarter and we are going to start selling everything else today. So there may be approvals on the buyer side. We don't have approvals other than the regulated banks in Europe on the seller side. So it won't affect us at all and the thing I would say is the faster we go and the smaller we get, certainly in the US, as Jeff said, the earlier we will be able to address the characteristics that made us systemic and apply to de-designate.

Brackett Denniston - ***General Electric Company - SVP and General Counsel***

This is Brackett Denniston, Joe. What we are looking to do, as Keith said earlier, is to apply for de-designation sometime in 2016 and it will depend on the pace. The standards -- you have to go back and look at the original designation order to look at what the standards were that the FSOC adopted in declaring us a SIFI. And if you look at those through much of the sales, so now you have the endpoint, they looked at $43 billion in CP. We will be at $5 billion of CP. They looked at 57 million consumer customers in the United States. We look at zero consumer customers. They looked at a middle-market lending platform will be ultimately at zero in that platform.

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So when they looked at size they were $540 billion in assets and we will be less than $100 billion ex-cash. So if you look at all those factors we think we have a pretty good case as we proceed with our plan.

Joe Ritchie - ***Goldman Sachs - Analyst***

Got it. That's really helpful color. Maybe one follow-up question, you mentioned in your prepared commentary that speed matters with these asset sales. And it seems like you've gotten some pretty good inbound interest over the last few weeks. My question is, is there anything that could derail the speed at which you can get some of these asset sales done?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

We are obviously subject to market conditions. And as Jeff mentioned earlier, the timing is perfect right now for that. We think the environment couldn't be better for the demand for these great franchises we have. But we are subject to market conditions. I would say that is the one big factor.

We are going to have to -- we weren't really planning to sell all these this way, so we're going to have to do the preparation to get the information available for buyers in a way that will help them to make their decision and help us to run effective auctions. So that will take some time. But we are ready to go.

We've got a team that is ready to go and our business teams are ready to go and we're going to work to protect the customer franchise value we have and move as quickly as possible.

Joe Ritchie - ***Goldman Sachs - Analyst***

Okay, great. Thanks, guys. Good luck.

Operator

Christopher Glynn, Oppenheimer.

Christopher Glynn - ***Oppenheimer & Co. - Analyst***

Might be a little rephrasing Nigel's question but understanding from slide 14 the different scenarios for staggering the capital release, if we have Blackrock in 2015 and the Aussie proceeds are already in the book, just want to understand a little bit more, maybe a layer beyond just the Tier 1 differentiation what is staggering that capital release?

Jeff Bornstein - ***General Electric Company - SVP and CFO***

Okay, so when you think about 2015, through this charge and other actions we have taken initially here, we take the capital in the Company down and then we build the capital back up throughout the year through earnings and through reducing risk weighted assets as we sell assets. And so that gets you back to about a 14% Tier 1 common when you get to year end. That's why you only see $1 billion. That is why I said the faster we sell things, i.e., we reduce risk-weighted assets, which frees up capital and increases capital ratios because that's your denominator, that is the thing that could accelerate the cash back to the Company in 2015.

Christopher Glynn - ***Oppenheimer & Co. - Analyst***

Okay. Got it. Thank you.

Operator

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Robert McCarthy, Stifel.

Robert McCarthy - ***Stifel Nicolaus - Analyst***

Congratulations. One question I just have is with respect to -- we are in a situation right now where we could be coming to a tougher part of the cycle. We could be looking at potentially even the prospect of an industrial downturn. What is your Plan B because it sounds like speed is going to kill here in terms of getting some of these divestitures off. But if market conditions don't cooperate in the next six to eight months, what is conceptually Plan B?

And as a follow-up, what is your comfort level that there will not be a scenario contemplated where you will have to cut the dividend or keep it at stasis over the next couple of years?

Keith Sherin - ***General Electric Company - Vice Chairman and CEO, GE Capital***

Let me start with the portfolio plan here, Rob. You are right. We are subject to market conditions. If it took a little longer, it may take a little more time but at the end of the day we are going to build so much liquidity and excess capital, as we said, we've already got 50% of what we were planning to do is executed in the first quarter here. We've got to get it closed. We may take a little longer but I think we are going to build liquidity. We're going to build capital quite rapidly. And it just may take a little longer to get some of these things done.

If we have to trade value for speed, we are going to make that call at the time that we deal with the offers.

Jeff Immelt - ***General Electric Company - Chairman and CEO***

I would add to that Rob, we have sold worse assets in worse times. So again, we have allowed for some volatility in the economic sphere. And look, even today before this plan, we are sitting on a ton of liquidity inside the Company. Right? (multiple speakers). So the starting point is immensely strong. Dividend, you guys have heard us say has always been an extremely high priority and we think the dividend is another great linchpin for investors as we go through this cycle. So it's always a top priority. There's a ton of cash available and we think that's -- we have kind of mitigated that as a risk factor.

Robert McCarthy - ***Stifel Nicolaus - Analyst***

Thanks for your time.

Matt Cribbins - ***General Electric Company - VP, Corporate Investor Communications***

Great. Jeff, a couple of quick points before we wrap up. A replay of today's webcast will be available on our website this afternoon. As a reminder, next Friday on the 17th, we will hold our first-quarter 2015 earnings webcast and as always, we will be available today to take your questions. Jeff?

Jeff Immelt - ***General Electric Company - Chairman and CEO***

Great, Matt, thanks. Again, thanks everybody. Really important move for GE to really transform to a high-value industrial and a GE Capital around the verticals. We've got a chance to really do this at a time that is very advantageous from a standpoint of our financial service business, a great chance to create shareholder value through capital allocation. And lastly, just substantial thanks to a fantastic team we have at GE Capital who has done a great job of leading this business through a time of great volatility.

So thanks. Matt, let's wrap it up there.

Operator

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Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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